

Sixty-first
Legislative Assembly
of North Dakota

SENATE BILL NO.

Introduced by

Senator Bakke

A BILL for an Act to create and enact a new section to chapter 50-11.1, a new section to chapter 57-38, and a new subsection to section 57-38-30.3 of the North Dakota Century Code, relating to the development of a quality rating system for licensed early childhood care facilities and an income tax credit for dependent care expenses incurred at certain childhood care facilities; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. A new section to chapter 50-11.1 of the North Dakota Century Code is created and enacted as follows:

Quality improvements and rating system - Technical assistance.

1. The department, in consultation with the state department of health, superintendent of public instruction, department of commerce, and a variety of early childhood care representatives, shall develop and implement a voluntary quality rating system for licensed early childhood care facilities. The rating system may include consideration of:

- a. Child-to-caregiver ratio and group size;
- b. Staff training, licensure, and experience;
- c. Program curricula;
- d. Regulatory compliance;
- e. Environment; and
- f. National accreditation.

2. The department may provide a quality incentive payment or a higher reimbursement rate for child care assistance program payments to an early childhood care facility that meets the requirements of a quality facility under subsection 1.

- 1 3. The department shall provide technical assistance and support to an early
2 childhood facility that attempts to meet the requirements of subsection 1 and may
3 provide financial incentives to an early childhood facility that sustains and
4 increases program quality, as defined by the quality rating system. The
5 department may contract with a private nonprofit agency to provide technical
6 assistance under this subsection.

7 **SECTION 2.** A new section to chapter 57-38 of the North Dakota Century Code is
8 created and enacted as follows:

9 **Dependent care credit.**

- 10 1. Except as provided in subsection 2, a taxpayer is entitled to a tax credit against tax
11 liability as determined under section 57-38-29 or 57-38-30.3 based on a
12 percentage of the federal dependent care credit that the taxpayer claimed for
13 dependent care expenses incurred to enable the taxpayer to be gainfully employed
14 in this state under section 21 of the Internal Revenue Code [26 U.S.C. 21] for the
15 same taxable year. The applicable percentage of the federal credit to be allowed
16 as a credit under this section is:
- 17 a. Fifty percent, if the taxpayer's adjusted gross income is less than twenty-five
18 thousand dollars.
- 19 b. Thirty percent, if the taxpayer's adjusted gross income is twenty-five thousand
20 dollars or more but less than thirty-five thousand dollars.
- 21 c. Twenty percent, if the taxpayer's adjusted gross income is thirty-five thousand
22 dollars or more but not more than sixty thousand dollars.
- 23 2. The tax credit against tax liability determined under subsection 1 is available only if
24 the dependent care expenses were incurred at:
- 25 a. An early childhood program approved by the superintendent of public
26 instruction under section 15.1-37-01;
- 27 b. An afterschool learning program that meets the requirements established for
28 the twenty-first century community learning centers under
29 20 U.S.C. 6301.7171 et seq.; or
- 30 c. A licensed early childhood care facility that meets the requirements of a
31 quality facility under section 1 of this Act.

1 3. The dollar amounts referenced in subdivisions a through c of subsection 1 are
2 applicable to married persons filing a joint return and must be reduced by fifty
3 percent for a married person filing a separate return and reduced by thirty percent
4 for a person filing a single return. A taxpayer claiming the credit under this section
5 must use the same filing status as was used for the taxpayer's federal income tax
6 return.

7 4. The credit under this section may not exceed the taxpayer's tax liability for the
8 taxable year.

9 5. For purposes of this section, "taxpayer's adjusted gross income" means adjusted
10 gross income as determined for purposes of section 21 of the Internal Revenue
11 Code.

12 **SECTION 3.** A new subsection to section 57-38-30.3 of the North Dakota Century Code
13 is created and enacted as follows:

14 A qualified taxpayer filing a return under this section is entitled to the credit
15 provided under section 2 of this Act.

16 **SECTION 4. EFFECTIVE DATE.** Sections 2 and 3 of this Act are effective for taxable
17 years beginning after December 31, 2008.